

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Infrastructure & Investment Department – Establishment of LNG Terminal at Gangavaram Port, Visakhapatnam District through a Joint Venture Company with Petronet LNG Ltd – Approval – Accorded – Orders – Issued.

INFRASTRUCTURE & INVESTMENT (P.II) DEPARTMENT

G.O.Ms.No. 5

Dated 28-07-2014.

Read the following:

1. From the Company Secretary, Gangavaram Port Ltd Letter.No.GPL/I&I-LNG/402, dated 15-06-2012
2. From the Director (CA), Gangavaram Port Ltd Letter.No.GPL/I&I-LNG/411, dated 16-10-2012.
3. Govt Memo.No.503/Ports.II/2012-1, I&I Dept., dated 26-06-2012 & 05-11-2012.
4. Govt Letter No.503/P.II/2012, I&I Dept, dated 13-12-2012 addressed to VC&MD, INCAP, Hyderabad
5. From the Director of Ports, Kakinada Letter No.DoP/D2/2433/2012, dated 04-03-2013
6. From the Chairman & Managing Director, Gangavaram Port Ltd Letter No.GPL/I&I-LNG/429, dated 19-07-2013.

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In the letters first and second read above, M/s Gangavaram Port Limited has informed the Government that they proposed to construct and operate a 5 MMTPA LNG Terminal with a provision to expand further to 10 MMTPA, with M/s.Petronet LNG Ltd (PLL). The proposed LNG Terminal is to be designed, developed, financed, constructed, managed, operated and maintained by the Joint Venture Company. The Joint Venture Company will have equity contributions from Petronet LNG Ltd (76%) Gangavaram Port Ltd (8%) and other parties such as prospective LNG suppliers/buyers or any strategic investor. Petronet LNG Ltd will be the majority share holder and will have complete management control over the JV Company.

2. M/s Gangavaram Port Ltd have further informed that apart from contributing majority to the State Exchequer, the LNG Terminal will also help to meet the growing energy demand of the State. The LNG Terminal will also contribute immensely to the economic development of the region by providing additional and lower cost alternate fuel to various sectors such as refinery, power, fertilizer and transport which in-turn would result in the substantial downstream investments in these sectors.

3. They have also informed the Government that they have already entered Term Sheet Agreement with Petronet LNG Ltd (PLL) on May 2nd 2012 for establishing LNG Terminal at Gangavaram Port which is likely to be operational by the end of 2016. As per the Term Sheet Agreement Page no.5, in respect of water front charges, the Petronet LNG Ltd agrees to pay to Gangavaram Port Ltd the water front charges at the rate of Rs.103.68 per metric tonne of LNG cargo handled. The Term Sheet provides for periodic escalation of these charges.

4. While furnishing the plans and designs and feasible study reports of the proposed LNG Terminal, M/s.Gangavaram Port Ltd (GPL) has requested the Government for giving approval to the proposed LNG terminal and to allow the grant of license rights under the Concession Agreement to the Joint Venture Company and also to provide on license basis the land area of 38 acres and the reclaimed land of 82 acres to the Joint Venture company.

P.t.o

Government after detailed examination of the proposal in consultation with Law and Finance Departments and keeping in view the recommendations of the Empowered Group of Ministers, hereby accord approval to M/s Gangavaram Port Limited, Visakhapatnam District for establishing LNG Terminal at Gangavaram Port and to allow the grant of license rights under the Concession Agreement to the Joint Venture Company and to provide on license basis the land area of 38 acres and also to provide the Joint Venture Company the right to reclaim the land of 82 acres on the water front within the Port Limits so as to allow the Gangavaram Port Limited to provide such a reclaimed land to the Joint Venture Company on license basis subject to the following conditions;

1. M/s.Gangavaram Port Ltd shall obtain all necessary permissions from the concerned authorities.
2. The License Agreement to be entered into by M/s Gangavaram Port Limited shall comply with the performance parameters required under the Concession Agreement and the Concession Agreement shall supersede in all manners over such License Agreement. M/s.Gangavaram Port Ltd shall pay the lease charges to the Government for the reclaimed land as per the provisions in the Concession Agreement.
3. The License Agreement shall not create any kind of liabilities on the Concessioning Authority and the Concessionaire remains severally responsible for any risk that arises out of default or non-compliance of any obligations under the Concession Agreement in particular and the applicable Indian Laws in general, by the Joint Venture Company.
4. The Gangavaram Port Limited shall submit to the Government the DPR submitted to the lenders for achieving Financial Closure and shall ensure the financial sustainability of the Project.
5. The Gangavaram Port Ltd shall not collect water front charges as proposed by them in the Term Sheet Agreement. The Gangavaram Port Ltd may collect Port Service Charges as provided in the Concession Agreement.

The Director of Ports, Kakinada shall take necessary action in the matter.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Dr.D.SAMBASIVA RAO
SECRETARY TO GOVERNMENT (FAC)

To

The Chairman & Managing Director, M/s. Gangavaram Port Limited,
Hansa Plaza, Jubilee Hills, Hyderabad through Director of Ports, Kakinada.

The MD & CEO, Petronet LNG Ltd, New Delhi through Director of Ports, Kakinada

The Director of Ports, Kakinada

The V.C&M.D, Infrastructure Corporation of A.P., Hyderabad.

Copy to

The G.A (Cabinet) Department

The PS to Prl.Secretary to C.M.

The PS to Chief Secretary

The PS to Secretary (FAC), I&I Dept

PS to Prl Finance Secretary

PS to Secretary, Legal Affairs

PS to Hon'ble Minister for Finance

Sf/Sc.

// FOWARDED :: BY ORDER //

SECTION OFFICER